Why Competition Offers The Only Sure Way To Bring Broadband Services To All Americans

MCI/WORLDCOM May 1999

ICI Worldcom plans to service its millions of residential customers with advanced ervice like Digital Subscriber Line (DSL).

ICI WorldCom has a huge, growing residential customer base.

MCI WorldCom is a national carrier whose business plans depend on being able to offer new services to every one of its 23 million existing nationwide customers, as well as to attract new customers.

DSL likely will become the basic local loop of the 21st Century.

ICI WorldCom was the first, most aggressive carrier to offer DSL services.

Through its MFS affiliate, MCI WorldCom was the first company to provide DSL services in the marketplace, back in 1996.

Last October, MCI WorldCom's UUNET affiliate announced the industry's most aggressive nationwide rollout of DSL services.

Competitors need all three competitive entry pathways promised by the Telecommunications Act in order to provide robust and ubiquitous DSL offerings.

The 1996 Act provides three pathways for requesting carriers to deliver local services to consumers:

(1) Facilities-based entry

(2) Unbundled network elements ("UNE") entry

(3) Resale entry

The Incumbent Local Exchange Carriers (ILECs) seek to eliminate the UNE and resale athways, forcing competitors to install their own end to end facilities.

DSL is a local transmission technology, compatible only with copper loops. The infrastructure necessary to deploy DSL is exactly the same as is necessary to provide any other local telecommunications services. It is used to reach the Interact; it is not the Internet itself.

Because the local exchange carriers retain over 95 % control of local networks, DSL must remain subject to market-opening requirements.

- Because DSL could eventually become the basic loop of the 21st Century, the ILECs should not be permitted to extend their control over today's voice-dominated local loop to tomorrow's DSL-enabled loop.

Long distance carriers of all sizes need all three competitive entry pathways promised in the 1996 Act m order to provide DSL service to their residential customers.

Competitors need the UNE and resale pathways, especially to provide ubiquitous coverage for a nationwide customer base.

- Ubiquitous DSL capability will require the installation and maintenance of DSL modems (DSLAMs) and other equipment in over 20,000 ILEC central offices, and hundreds of thousands of remote terminals.
- The ILECs already own and control all central offices and remote terminals necessary to reach all potential customers.
- ILECs enjoy considerable economies of scale, scope, and density.
- ILECs enjoy low-cost collocation in their own facilities.
- ILECs enjoy unique access to Universal Service subsidies for high-cost residential customers.

Consistent with the 1996 Act, competitors will fully compensate the ILECs for every element and service they use.

The ILECs will be paid in full for all UNEs utilized and services provided.

Unbundled network elements --

The ILECs receive:

- economic cost of element
- contribution to overhead (joint and common costs)
- reasonable profit
- risk adjustment, if any

Resale --

The ILECs get retail price, minus a wholesale discount.

The Telecommunications Act includes **both** telecommunications services and information services.

The Telecommunications Act of 1996 plainly covers voice and data services, in a technology neutral manner.

- There is no sustainable legal, or logical, distinction between "traditional" local services and "advanced" local services.

- The Act nowhere makes any such distinctions.

- Attempting to define a local service based on the types of technologies it employs, or the types of functionalities it provides, makes no sense.

Section 271 of the 1996 Act includes a prohibition on Regional Bell Operating Company (RBOC) provision of interLATA information services.

- Section 271(a) refers to both telecommunication's services and information services.

- Section 271(g)(2) grants a narrow exception to the general prohibition by authorizing the RBOCs to provide Internet services to elementary and secondary schools.

The RBOCs never contested the FCC's 1996 ruling on this point, or sought review by a federal appellate court.

Technically speaking, there is no feasible way of enforcing a "data" versus "voice" distinction.

- Data "bits" and voice "bits" look exactly the same from the network' s perspective.

- Data is quickly overtaking voice.

Today at least half of all traffic on the public network is data.

In five years, data will comprise up to 90 percent of all traffic on the public network.

The ILECs possess market power over all local telecommunications services provided over copper loops.

The ILECs continue to own and control all central offices needed to deploy DSLAMs and data transport facilities.

There is no "Digital Divide" between urban and rural areas -

In many cases, the smaller independent Local Exchange Carriers (LECs) are well ahead of the larger ILECs in deploying infrastructure and providing advanced services such as DSL.

By the end of 1997, rural LECs had installed 40,000 route miles of fiber optic cable, representing over 750,000 fiber miles, serving states like Kansas, Oklahoma, Texas, South Dakota, Minnesota, and Iowa.

The ILECs already are rolling out DSL services across their regions:

SBC will be offering DSL to 9.5 million customers by the end of 1999;

Bell Atlantic is partnering with AOL to provide DSL to 14 million homes by 2000;

Ameritech will make DSL service available to 70% of homes in its region by 2000;

US West currently offers DSL service to 5.5 million households, in 39 cities, in its region;

BellSouth will make its new FastAccess service available in 30 cities in 1999.

The Section 271 prohibition on RBOC provision of interLATA services is completely unrelated to the RBOCs' ability to deploy local telecom services like DSL.

US West's claims about needing interLATA relief to provide DSL services are unfounded.

Sol Trujillo, Chairman and CEO of US West, told Congress that deployment of DSL capability requires installation of Asynchronous Transfer Mode (ATM) switches, and that the interLATA restriction makes DSL cost-prohibitive because it artificially compels US West to place an ATM switch in each LATA.

backbone providers.

UUNET alone has about 750 local points of presence all over the Country.

.ny data exemption from the long distance rules of the Act is unwarranted as a matter of ational policy.

Congress, in crafting the 1996 Act, carefully designed the only legally sanctioned incentives system for the RBOCs.

- When the RBOCs meet their local competition obligations, they are free to enter the in-region interLATA market.

- Statewide or nationwide elimination of LATAs for data would completely undermine Section 271 by stifling the very incentives necessary to compel the RBOCs to comply with the market-opening provisions of the Act.

- Excusing the RBOCs from compliance with the fundamental interLATA requirements of the 1996 Act for "data" services would ignore the increasing convergence of voice and data, and the inability to exclude voice bits from data bits.

- Enforcement of the Act, along with competition already developing from cable modems, wireless carriers and data Competitive Local Exchange Carriers (CLECs) provide more than enough market incentive for further and faster broadband deployment by the ILECs.

- US West already has deployed, or announced immediate intentions to deploy, a total of 127 ATM switches, which includes at least one ATM switch in 23 of 27 LATAs in which US West provides service.

- New Mexico LATA: 19 ATM switches

- South Dakota LATA: 7 ATM switches

- Wyoming LATA: 5 ATM switches

- By the end of 1999, US West will be providing DSL service in 21 of its 27 LATAs.

- US West's own actions show that no interLATA relief is required for US West to do what it is already doing: providing DSL to its customers.

The competitive marketplace is meeting the Information Age needs of the American consumer.

Internet access

Over 6,500 Internet Service Providers (ISPs), large and small, provide affordable Internet access to U.S. consumers.

- Ninety-six percent of the U.S. population can access at least four ISPs via a local telephone call

  - 80 ISPs serve Alaska
  - 389 ISPs serve Arizona
  - 225 ISPs serve Montana
  - 237 ISPs serve North Dakota

Internet backbone

There are some 47 providers of competitive Internet backbone service in the United States.

- There is a vibrant competitive market for interLATA transport.

- All but three LATAs (194 out of 197) are served by 4 or more different internet

Exhibit 3

STATE REGULATORY DECISIONS ON DARK FIBER

New York:

Petition of AT&T Communications of New York for Arbitration of an Interconnection Agreement with New York Telephone Company, Case No. 96-C-0723, Opinion No. 96-31 at 69 (NY PSC Nov. 29, 1996) ("[D]ark fiber is not an element. New York Telephone should not have to lease facilities against its will ... Such a requirement could interfere unreasonably with New York Telephone's investment and construction plans. Moreover, it could provide an unreasonable disincentive to competitive carriers to enter into facilities-based competition").

New Jersey:

Investigation Regarding Local Exchange Competition for Telecommunications Services, Docket No. TX95120631 at 113 (NJ BPU Dec. 2, 1997) ("dark fiber is not required to be provided on an unbundled basis").

Pennsylvania:

Petition of MCI Metro Access Transmission Services for Arbitration of its Interconnection Request to Bell Atlantic - Pennsylvania, File No. A-310236F0002 at 25 (PAPUC Dec. 19, 1996) ("dark fiber, which is a spare fiber optic cable owned by Bell with no electronics attached to it, is not a network element under the Act and is not subject to unbundling").

Maryland:

Petitions for Approval of Agreements, Case No. 8731, Order No. 73010 at 26 (MD PSC Nov. 8, 1996) ("dark fiber is not necessary for the provision of services by competing carriers. We therefore see no reason to mandate provision of this service").

Virginia:

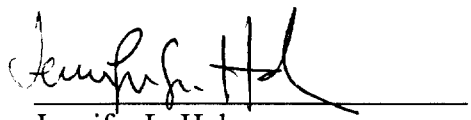
Petition of MCI Telecommunications for arbitration of unresolved issues with Bell Atlantic-Virginia, Case no. PUC960113 at 2 (VA SCC Dec. 20, 1996) ("BA-VA is not required to provide dark fiber as an unbundled network element").

DC:

MCI v. Bell Atlantic, Docket No. 97-3076 at (D.DC Feb. 17, 1999) ("dark fiber is a network element within the meaning of § 153(29). Under the Act, an ILEC need not provide a network element to a new market entrant unless lack of access to that element 'impair[s]' the entrant's ability to provide telecommunications services....'While [a lack of access to dark fiber] may inconvenience MCI, it does not rise to the level of impairing its ability to provide local communications service'" (*Quoting MCI v. Bell Atlantic-Va.*, Civil Action No. 3:97CF629 (E.D. Va. July 1, 1998)).

CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of June, 1999, copies of the forgoing "Reply Comments of Bell Atlantic" were sent by first class mail, postage prepaid, to the parties on the attached list.



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